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Discount Store News®

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SECOND CLASS

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Peter Hirsch (far right) led a camera team into an Avalon, N.J. Kmart to kick off filming of the chain's new ads. (DSN photo)

Kmart's TV Ad Campaign Hits With Over 230 Spots

TROY, Mich. — Kmart unleashed its most ambitious ad campaign ever in mid-March as the first of some 230 individual TV spots hit the airwaves. The campaign was launched just as Kmart reported improved profits for its fourth quarter, and strong comparable store increases in February.

According to Peter Hirsch, president of Calet, Hirsch & Spector, Kmart's ad agency, the campaign will focus on consumer lifestyles. "They will spotlight improved products, brand names and Kmart's low prices, as well as an improved shopping experience," he said. The spots, each 15 seconds long, will be broadcast on a mix & match basis, and vendor commercials will be interspersed with mini-vignettes that address the "change for the better" at Kmart, he added.

Production of the spots will entail a grueling production schedule; some 20 spots will have to be filmed each week.

"Kmart has some 12 different business groups," said Bill Behrmann, senior vp and media director of Ross Roy Group, Kmart's media agency.

(Continued on page 16)

ALCO Reorganization Plan Enlists Secret Investors

By Mary Ellen Kelly

ABILENE, Kan. — In its first step toward emerging from bankruptcy, Duckwall-ALCO stores filed a reorganization plan with the U.S. Bankruptcy Court in Topeka, Kan., March 4.

If approved by creditors and the court by an April 1 deadline, the regional discounter will emerge with greater capital resources. ALCO plans to sell 5 million shares of common stock, with over 2 million being sold to "KDF, certain individuals and the Duckwall-ALCO Stores Profit Sharing Plan" for $4.1 million cash. KDF is identified in the plan only as a "Kansas nominee partnership."

Approval of the plan would be good news to the discount store industry which has been plagued by unresolved Chapter 11 filings—especially by regional chains—for over a year.

Duckwall-ALCO executives, its attorneys and creditor committee leader, General Electric Capital Corp., and KDF's attorney, declined to comment on the filing and refused to provide any information or description of KDF.

DSN did learn, however, that KDF is not a retail firm, even though one anonymous source indicated the company is involved to some extent with retailers. Whether KDF would effectively own the Duckwall-ALCO chain as part of this reorganization plan was not made clear in the filing. The firm would wind up with a substantial number of Duckwall-ALCO shares.

A key to the retailer's immediate turnaround is to raise enough cash to complete the remodeling of its stores to ALCO's newest format. The updated store layout, logo and colors were integrated into the retailer's 55,000-square-foot Manhattan, Kan., store over a year ago.

During 1990, the new format was incorporated into 30 of the chain's 100 units, and successfully boosted sales and profits, according to Charles Bogan, Duckwall-ALCO general counsel. Bogan, however, declined to say how much sales were up at those remodeled stores, nor

(Continued on page 126)

Making Every Day Earth Day

Retailers and Manufacturers Are Turning 'Green'

By Jill Lettich
Nationwide DSN Report

For Earth Day 1990, everyone had the word "environment" on their lips. Manufacturers ran green ads; retailers ran green sales.

In 1991, the hoopla has died down. But, instead of thinking of the environment for one day, companies have incorporated the environmental message into their day-to-day operations and year-long marketing strategies.

Some companies launched ad campaigns or special promotions in the weeks preceding Earth Day, April 22. The bulk of environmental promotions, however, are designed to keep awareness high every day of the year.

The green message is increasingly important to consumers. To their credit, consumers have become much more aware of their environment and wary of companies that simply talk a good game rather than provide real practical solutions to problems.

For many firms, this has meant a serious switch from marketing environmental concerns just to be in vogue, to taking aggressive action in all forms: implementing environmentally sound policies to introducing viable products for a green household.

A Gallup Poll/*Ad Age* survey recently reported that consumers can name very few firms specifically linked to the environmental movement. "I don't know" was the most often mentioned response of consumers asked to name a company that is sensitive to the environment. Procter & Gamble and McDonald's were among the handful of companies mentioned by name. Not surprisingly, Wal-Mart led among environmentally conscious retailers.

(Continued on page 65)

***Venture is inviting kids** to bring in aluminum cans and get a free Gitano kite celebrating Earth Day.*

See Retailing & the Environment page 69

Hills' Prez Exits; More Closings Set

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...ss. — Hills' ...p a reorgani... emerge from ...s complicated ...e sudden res... ...ew president, ...esignation, ef... 4, came just days after Hills announced 32 more store closings. The newest round of store closings leaves the chain with 154 stores in 12 states. Since last month's Chapter 11 filing, Hills has closed 60 stores and abandoned its presence in five cities and two states.

In this latest round of closings, Hills is exiting Cincinnati, Evansville, Ind., and Indianapolis. Hills already closed its stores in Rochester, N.Y., and Columbus, Ohio, part of the first 28 store closings announced in January and completed earlier this month.

Hills will no longer operate stores in Georgia and Alabama and has a minor presence now in Michigan (one unit, down from 14) and Tennessee (three units, down from 13).

Brouillard had a short tenure as Hills' president and chief operating officer, rising to that position in November from chief financial officer after Stephen A. Goldberger resigned. He had been with the discounter for 13 years. Brouillard is now chief administrative and financial officer of H.E. Butt Grocery Co., San Antonio, Texas, a privately held food retailer. He could not be reached for comment.

Industry analysts suggest that Brouillard was neither forced out nor does his leaving suggest he'd given up on Hills. Nevertheless, Brouillard's absence will be a loss to the chain. Now, instead of concentrating completely on developing a re-

(Continued on page 125)

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MARKETWATCH

Goldblatt's Takes Over Two Ames Sites

CHICAGO — Goldblatt's Department Stores has taken over the leases of two former Ames in inner city Chicago neighborhoods and will reopen the units this summer. The stores at Western Avenue and Kennedy Expressway and 87th Street and The Dan Ryan Expressway will boost Goldblatt's count to 13 units in the Windy City.

Tuesday Morning Opens 10th Store

DALLAS — Tuesday Morning, a closeout chain that operates only during four peak selling seasons, including Easter, has opened its 10th store in the Washington, D.C., area. At 24,000-square feet, the new unit in Wheaton, Md., will be the second largest for the chain of 132 stores in 21 states and the District of Columbia.

Warehouse Club CEO Resigns

CHICAGO — Sherwin Deutchman has resigned as president and chief operating officer of Warehouse Club, the 10-store wholesale club chain based here. He has been suceeded by Jim Walsh, formerly chief financial officer of the chain, which last fall had reached an agreement with A&P that would have injected millions of dollars for expansion into the chain. That deal fell through a month later.

Sears to Launch Visa Card This Month

CHICAGO — Sears plans to launch its new Prime Option Visa card this month with a 7 million-piece direct mail campaign. The effort would play up the card's major features: no annual fee and a choice of a flat interest rate or one pegged to the prime rate. Sears move came after a Federal Court in Salt Lake City last month granted a preliminary injunction in the retailer's antitrust lawsuit against Visa U.S.A. That bank card association, which had sought to block Sears from issuing the Visa card, said it would appeal the ruling.

BJ's Wholesale Club's Sales Up

NATICK, Mass. — BJ's Wholesale Club's sales increased 16.8% in the fiscal year ended Jan. 26 to $1.14 billion, while operating income fell 39.2% to $11.27 million. BJ's accounted for 47.7% of the parent Waban Inc.'s $2.4 billion in sales, down slightly from the 47.8% share in the previous year.

Ward, Bell & Howell Sign CE Agreement

CHICAGO — On the heels of last month's licensing agreement with Maytag to produce Admiral brand private label televisions and VCRs, Montgomery Ward has signed a similar agreement with Bell & Howell to produce a full line of Bell & Howell brand camcorders, high-technology VCRs and large screen televisions. The camcorders will debut in the fourth quarter.

Noteholder Files Suit Against Ames Execs

NEW YORK — Former Ames executives and the chain's investment banker, Wertheim Schroder & Co. were hit with a lawsuit by a disgruntled noteholder who claims the banking firm and Ames management conspired to inflate the price of Ames senior subordinated notes that were issued in early 1989 to refinance the ill-fated acquisition of Zayre Corp. Ames, in Chapter 11, was not named in the action, filed by Anthony Delano of Easton, Conn. In other Ames news, comparable store sales were flat in January, but showed a modest rise in February.

Experimental Imageland Store Opens

CHICAGO — A new experimental store that uses leading-edge digital color graphics technology to produce creative business and consumer products opened last month. Located in downtown Chicago, the new Imageland store is a joint venture of Canon, the Japanese maker of imaging products, and CPI Corp., a major U.S. retailer of photography services. The 2,200-square-foot store employs a dramatic store design and is targeted toward three distinct customers: graphics professionals, businesses and consumers.

FOR THE RECORD

Prodigy president Ted Papes said the electronic shopping and information service—a joint venture between Sears and IBM—would become profitable in the early 1990s. *DSN* incorrectly reported (Jan. 21, page 3) that he said this goal would be reached in early in 1991.

Venture's Profits Jump in '90

Sales Up After May Dept. Stores Co. Spin-Off

O'FALLON, Mo. — In its first annual sales and earnings statement as an independent chain, Venture reported that pretax profits in 1990 rose to $53.8 million on sales of $1.42 billion.

In 1989, pretax profits were $17.9 million on sales of $1.36 billion during the last full year of May Department Stores Co. ownership. But after adjustment of $35.4 million for May's spin-off expenses, pretax profits were $53.3 million in 1989.

Net profits rose to $34.5 million in 1990, compared with $12 million in 1989, or $36.5 million after adjustment for spin-off expenses.

Effective last November, May spun off Venture to its stockholders. But as the price of independence, Venture had to pay its parent $262 million. It raised the money by selling and leasing back 29 stores and its two distribution centers, substantially raising rent expenses. In addition, Venture borrowed $75 million by mortgaging 14 other stores.

The restructuring meant that Venture started out its new life as a significantly more levered chain, with a total of $307.1 million in short and long-term debt on its balance sheets at year-end, compared with $199.3 million in 1989, prior to the spin off.

Total stockholder equity slumped to $91 million, as of Feb. 2, 1991, from $309.7 million the year before May pulled out its capital. Venture currently operates 80 stores.

'Green' Concerns Focus of PMA Show

By Don Longo

LAS VEGAS — Photo industry executives from around the world convened here last month for the Photo Marketing Association's annual trade show.

Their enthusiasm over the relatively healthy state of their industry was tempered somewhat by news of ground combat between United States and Iraqi forces in the Persian Gulf.

Two very serious themes dominated this mostly upbeat convention: the war in the Mideast and the environment.

One manufacturer, Ricoh, even canceled its annual PMA party here so it could use the savings to offset the costs of a special program to benefit U.S. soldiers.

Under the program, announced at the show, consumers simply purchase a Ricoh One Take camera at any dealer, provide the name and address of the soldier it's to be shipped to, and Ricoh takes care of the rest.

Duracell and Agfa contributed batteries and film, respectively, to the package, which will retail at the below cost price of about $25. All shipping costs will be picked up by Ricoh.

Matt Mustachio, director of marketing and advertising for Ricoh's Consumer Products Group, also noted that on the environmental front the company has altered its packaging, switching from styrofoam "peanuts" to recycled and recyclable crinkled paper inside its cartons.

Because of the nature of photography products, manufacturers in this industry have been sensitive to environmental concerns for many years, especially as they relate to the manufacturing process. Now, many are also looking at the

(Continued on page 126)

Wal-Mart Passes Kmart In Battle of the Top 2

Nationwide DSN Report

Wal-Mart became the leading discounter in sales last year and generated sharply higher earnings than Kmart, the No. 2 chain, as both retailers reported record volume and income.

Wal-Mart sales (including volume from its Sam's Wholesale Club division) jumped 26% in the fiscal year ended Jan. 31 to $32.6 billion from $25.8 billion, while earnings went up 20% to $1.29 billion from $1.07 billion.

In the key holiday fourth quarter, Wal-Mart's volume of $10.35 billion increased 28% from $8.1 billion. Income grew 13% to $481.84 million from $425.86 million.

Wal-Mart achieved its record sales and earnings as it continued to improve its operations and drive down costs. Gross margins fell to 21.8% from 22.3%, while operating, selling and general and adminisrratives expenses as a percentage of sales remained at 15.8%.

Kmart sales in the fiscal year ended Jan. 30 went up 8.6% to $32.07 billion from $29.53 billion, while income

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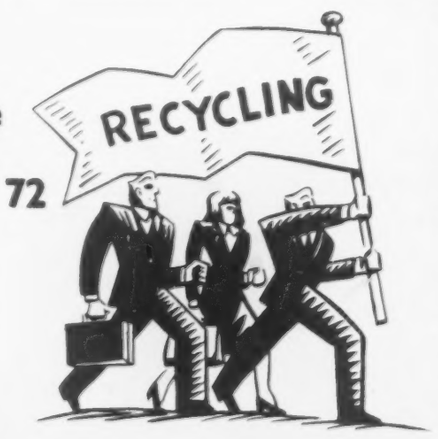

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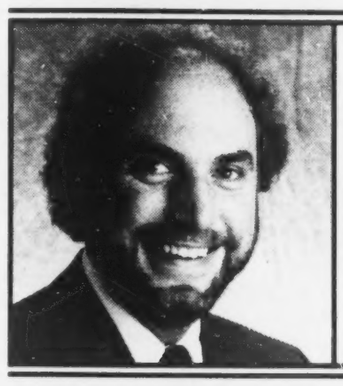
EDITORIAL

Walton's Bio Leaves Readers Hungry

One of the most difficult assignments for any editor is to a write story about an executive without the person's cooperation. That means without a personal interview, without personal insight and without emotion.

Yet, author Vance Trimble did exactly that in his book "Sam Walton: The Inside Story of America's Richest Man," (Dutton). While thousands of articles have been written about Walton, this is the first book devoted to one of America's richest men and one of its most extraordinary citizens. I read the book after its quiet release last November but decided not to review it for several reasons, including a sense of disappointment. However, recently several executives have inquired about the book, so here are a few comments about it.



TONY LISANTI
Editor

The former Pulitzer Prize-winning reporter and editor of the *Kentucky Post* compiled his biography of Walton without his cooperation. Writes Trimble, "In some respects, the lack of ready access to the Waltons and the corporate archives make this a better book because it necessitated much old-fashioned police reporter legwork and careful digging . . . " Nice try, Mr. Trimble!

First, the title is misleading because this book is not an "inside" story. It's an "outside" story, and it reads that way. It lacks the emotion and the charisma of Walton. Trimble uses secondary sources that lend little credibility or new insight into Walton's style, character and accomplishments.

Trimble, a native Arkansan, does an exhaustive historical analysis which at times is slow-moving, but his descriptive narrative does offer interesting tidbits of family history that otherwise may have been overlooked.

The book *is* worth reading particularly for Walton affecionados. It's got just enough to whet the appetite for Walton's autobiography, which no one is sure will ever be completed. Even Trimble admitted, " . . . I trust this book will fill the void for interested readers until he can tell his own story." And in some ways, it does.

It's a positive, upbeat, if not patronizing, book that favorably portrays Walton as a business hero and makes no attempt—as some biographies do—to uncover the dark side.

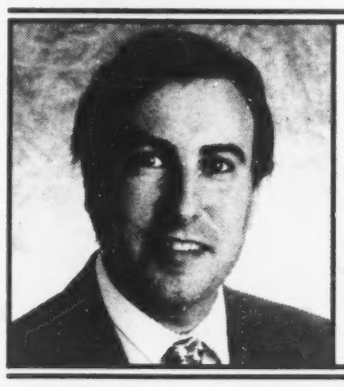
I guess even Walton liked the book. A few weeks ago he ordered over 300,000 copies!

BUYERS & SELLERS

Retailing & the Environment: A Must Read

How big is the trash problem in the United States?

I asked *DSN*'s Washington bureau correspondent Ken Rankin to find out how government officials view the problem. Rankin reported a recent government study estimates that every American man, woman and child throws out about 4 pounds of trash per day—about twice as much as their European and Japanese counterparts!



DON LONGO
Exec Editor

Environmental lobbyists estimate the total trash buildup at more than 180 million tons a year. Rankin noted that 8 ounces per person per day is recovered for recycling, but government officials predict that at current levels the volume of waste will reach 200 million tons in 1995, and 216 million tons by the year 2000.

Over at the Environmental Protection Agency, officials estimate that about 73% of all trash is dumped in landfills.

Those landfills are rapidly filling up. Nationally, the number of landfills has dropped from an estimated 10,000 in 1980 to 6,500 today. By the year 2000, EPA predicts that the number will be cut to about 3,000.

Inside this issue *DSN* inaugurates one of the most important special supplements it has ever produced. *Retailing & the Environment* (see page 69) details the positive efforts of retailers and makers to make a difference in the world and identifies some of the problems in trying to address this most complicated issue.

Today, more Americans are recycling bottles and cans, sorting their trash for recycling pickup, reading labels to learn the environmental impact of the products they buy, using biodegradable soaps and detergents, and avoiding aerosol products.

Retailers and manufacturers are not only smart for reacting to their concerns, they are saving the earth for themselves and their children. *Retailing & the Environment* is must reading.

PUBLISHER'S VIEW

U.S. Retailers Can Learn from the Japanese

Imagine a discount department store that has sales per square feet of over $2,000; generates over $160 million in total annual sales; monitors sales in eight key departments on an hourly basis and reacts instantaneously to help achieve daily sales goals!

Impossible you say. In the United States maybe, but not in Japan. What I've just described are some of the many facts we learned about Daikuma, the discount store unit of Ito-Yokado, Japan's No. 2 retailing conglomerate during a recent visit to Japan.

JOHN FAILLA
Publisher

We discovered that merchandising and operations are at different ends of the development spectrum.

Walking through Japanese discount stores and home centers (actually discount stores with large DIY departments), I noticed how similar these stores looked to U.S. discount stores of the late '60s and early '70s. However, upon closer examination, the sophisticated sales tracking and inventory replenishment systems at Daikuma and other Ito-Yokado divisions quickly highlight their state- of-the-art technical capabilities.

Ito-Yokado is the operator of 7-Eleven convenience store franchises in Japan that bailed out the U.S. owner of 7-Eleven stores, Southland Corp. In Japan, 7-Eleven stores receive deliveries four times per day to tie into the different products purchased daily. Upon entering a 7-Eleven in Tokyo one is drawn to the false conclusion that their inventory management is horrible as only a few pieces of each sku are in stock. In fact, what a person is witnessing is one of the closest living examples of "Just in Time" inventory replenishment in retailing today. In fact, the four daily orders at 7-Eleven are adjusted by each store based on anticipated weather conditions for the day.

While it sounds like I'm getting off track here talking about convenience stores, the point is that Ito-Yokado has extremely sophisticated systems that are leveraged across all of their retailing divisions, including department stores, discount stores, general merchandise stores, specialty stores and food-service operations.

Some further numbers drive home the point of its operating efficiencies. Ito-Yokado's SGA ratio, at 14% of sales, is almost four percentage points lower than Wal-Mart's. Although it's the No. 2 retailer in Japan in sales, with 21% less volume than Daiei, its gross profit dollars are almost six times greater than Daiei.

So what's the point? While many major discounters have made a practice of learning as much as they can from anyone they can, the industry at large has not looked outside of North America for new ideas. There is something to be learned from retailers outside the United States.

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Membership Clubs Consolidate and Expand

The Membership Warehouse Industry

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	Percent Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores 12/91
Sam's Wholesale Club Bentonville, Ark.	$ 6,440*	$ 4,840	33.1%	123	147	200
Price Club(a) San Diego	5,286	4,901	7.9	53	66	78
Costco Wholesale(a) Kirkland, Wash.	4,059	2,943	37.9	58	69	79
Pace Membership Warehouse Aurora, Colo.	2,250*	1,700*	32.4	47	61	95
BJ's Wholesale Club Natick, Mass.	1,150	984	10.3	23	27	32
Price Savers[1] Salt Lake City, Utah	850*	685*	24.1	14	17	—
The Wholesale Club[2] Indianapolis, Ind.	750*	570	22.8	23	28	—
Warehouse Club Skokie, Ill.	265	267	(7.5)	12	10	10
Wholesale Depot Natick, Mass.	50*	10*	400.0	2	3	6
Total:	$21,100	$16,900	24.9%	355	428	499

**DSN estimate a—includes Canadian units ( )—decrease*
[1]Acquired by Pace Wholesale Club, Dec. 1990.
[2]Acquired by Sam's Wholesale Club, Feb. 1991.
Sam's fiscal year ended Jan. 31
Price Club fiscal year ended Aug. 31
Costco fiscal year ended Sept. 2
Pace fiscal year ended Jan. 30
BJ's fiscal year ended Jan. 26
Warehouse Club fiscal year ended Sept. 30
Wholesale Depot fiscal year ended Dec. 31

Source: DSN Research

By Arthur Markowitz
Nationwide DSN Report

The membership warehouse industry continued its consolidation last year, contracting to five major players and two smaller regional chains.

The takeover of two chains by larger wholesale clubs, however, didn't slow down the industry's overall growth. The thrust into the Northeast by a number of operators and the expansion or first time offering of services, such as meat and produce sections, in-store scratch bakeries and optical departments, continues.

The industry's growth saw the nine wholesale clubs in operation for most or all of last year generate $21.1 billion in sales, up 24.9% from $16.9 billion. Volume this year could grow a minimum of another $4 billion, aided by the maturing of the 117 stores opened during 1989 and 1990 and initial sales from the 71 clubs unveiled in 1991.

The industry started 1991 with 428 stores, a 20.6% increase from the 355 units in operation last year. The count could grow another 16.6% to reach 499 clubs by the end of the year.

The consolidation—down from 11 chains just two years ago—reflects the basic strength of the industry; it also indicates the four major players have recognized that the acquisition of smaller regional chains offers them a highly productive way to enter new areas and/or strengthen their positions in current markets.

The two acquisitions, Sam's Wholesale Club's takeover of The Wholesale Club last month and Pace Membership Warehouse's purchase of Price Savers in January, illustrate this.

Sam's acquisition magnified its ongoing thrust into the upper Midwest—a region bereft of wholesale clubs for most of the '80s. Sam's now has 62 stores in the eight-state area, as of Jan. 1, 1991, an 87.9% jump from the 33 clubs it had there last year. The move included six The Wholesale Clubs in Minnesota, which marked Sam's debut in that state.

For Sam's, the attraction of The Wholesale Club was simple: it was the only successful membership warehouse in the region during the '80s, growing to 15 stores by 1987, 18 the next year, 23 in 1989 and 28 last year prior to Sam's acquisition. Other clubs have a poor track record in the region.

The regional Warehouse Club's operations in Chicago and Detroit haven't been profitable.

BJ's Wholesale Club's Chicago stores haven't matched the chain's success in the Northeast and its parent Waban Inc. converted the BJ's in Toledo, Ohio, into a HomeClub home center earlier this year.

Pace is striving to carve out a position in the region with a few units overall in Chicago, Detroit, Cleveland and Cincinnati, while Costco closed it Minneapolis clubs after only a few months of business.

Sam's, the industry's top chain, meanwhile, began to move into the region in a big way at the end of the '80s, going from six units in 1987 to 14 a year later, 22 in 1989 and then 33 last year. Sam's upper Midwest expansion is part of its drive to become the industry's first national operation, with clubs from coast to coast.

The Price Club, the industry's No. 2 chain, plans to establish a presence throughout the Midwest, but the company noted that the lead time for acquiring and developing sites means that it won't open stores in the region until 1992 at the earliest.

Pace's acquisition of Price Savers strengthens its presence in the highly competitive California market, while giving the industry's No. 4 chain entry into four new states. In the Golden State, Pace, a division of the Kmart Corp., gained six non-competitive Price Savers locations to boost its California count to 16 as it battles with the Price Club and Costco—the industry's No. 3 chain—each of which currently operates 29 stores there.

Sam's, meanwhile, is eyeing California as part of its national expansion. The company's parent, Wal-Mart, opened its first discount stores in the state last year as it strives to become the second national discounter after Kmart.

Pace, via the Price Savers purchase, also gained a presence for the first time in Arizona and Utah with four clubs each; Washington has two stores, and Alaska, one unit.

The attractiveness of acquisitions as the entry vehicle into new markets is behind the continuing Wall Street reports that BJ's Wholesale Club is likely to be taken over by one of the other major players interested in expanding in the Northeast. BJ's, No. 5 in the industry, has 19 of its 27 clubs in the Middle Atlantic States/New England market.

The other four membership warehouses plan major expansion efforts in the 11-state Northeast, a highly populated region that proportionally contains fewer wholesale clubs than other areas of the nation, 49 in total compared with the 74 clubs just in California. Besides BJ's 19 Northeast units, Price Club has 12 in the region, Pace nine, Sam's four, Costco two and Wholesale Depot, a Northeast regional chain, three.

But Sam's has already announced plans to open at least 18 stores in the Northeast by the end of next year.

The other five clubs also have plans to augment their presence in the region, particularly in major markets where they currently don't have any stores. These clubs project further growth in the region because the under-membership warehoused Northeast in prime expansion territory.

The Price Club, which opened three clubs in the region last fall, plans to unveil at least two more this year, including its first in the Massachusetts/-Rhode Island area.

Pace already has three clubs set for the market in 1991, including its debut in New Hampshire just north of the Boston area.

Costco entered the region last fall with two clubs and expects to triple its presence by next year.

BJ's will add a trio of stores this year to maintain its lead in number of units.

Wholesale Depot, which targets smaller communities with smaller 50,000-square-foot clubs, plans to open two more units this year and at least five more within the next three years. It plans to go into secondary markets that aren't likely to attract or be viable for the major operations and their 100,000-square-foot and larger clubs.

While most chains focus their growth on the United States, Price Club and Costco have staked out major presences in Canada with company-owned stores; in the Price Club's case through the purchase last year of the 50% interest in Price Club Canada held by its Canadian partner, Steinberg Inc.

The 10-unit Price Club Canada, the leader in that country, plans to open at least two more units. Costco, meanwhile, expects to add two or three more clubs to its eight-store count.

New clubs are the key to chains' ability to sharply increase their sales from year to year. But once a club matures, a membership warehouse runs into the problem of growing that unit's sales. The answer: add services that result in members increasing their purchases.

This effort, adopted by all the chains, has seen clubs add fresh meat and produce departments, deli sections and in-house bakeries. They are also offering such membership benefits as discount car buying and long-distance phone services and pharmacy and optical departments.

***Pace**, Deptford, N.J.: Wholesale clubs are adding services, including fresh meat and produce departments, to boost sales at established clubs.* (DSN photo)

Environmental Concerns Focus of PMA Show

(Continued from page 2)
problem of post-consumer waste.

"Over the years we've made tremendous progress in reducing harmful wastes in the manufacturing process," said Don Patrican, of Polaroid. "We've spent tens of millions of dollars on toxic waste reduction programs. Now, we want to make sure we're balanced in looking at consumer waste products as carefully as we look at manufacturing waste."

Polaroid has formed a Marketing Environmental Group Advisory Board to make suggestions to the company as it develops a five-year plan to address environmental concerns.

"Green is real," added Patrican. "It's not a fad or a trend."

Basically, "you need clean water and clean air to make good quality film," noted Tom Shay of Fuji, in explaining one of the reasons why the company has been very sensitive to environmental issues.

"One of the biggest opportunities retailers have is to promote the use of a minilab that produces less effluent," said Rod King, also of Fuji. "Smaller retailers are sometimes not aggressive enough in promoting the things they are doing that are proactive for the environment."

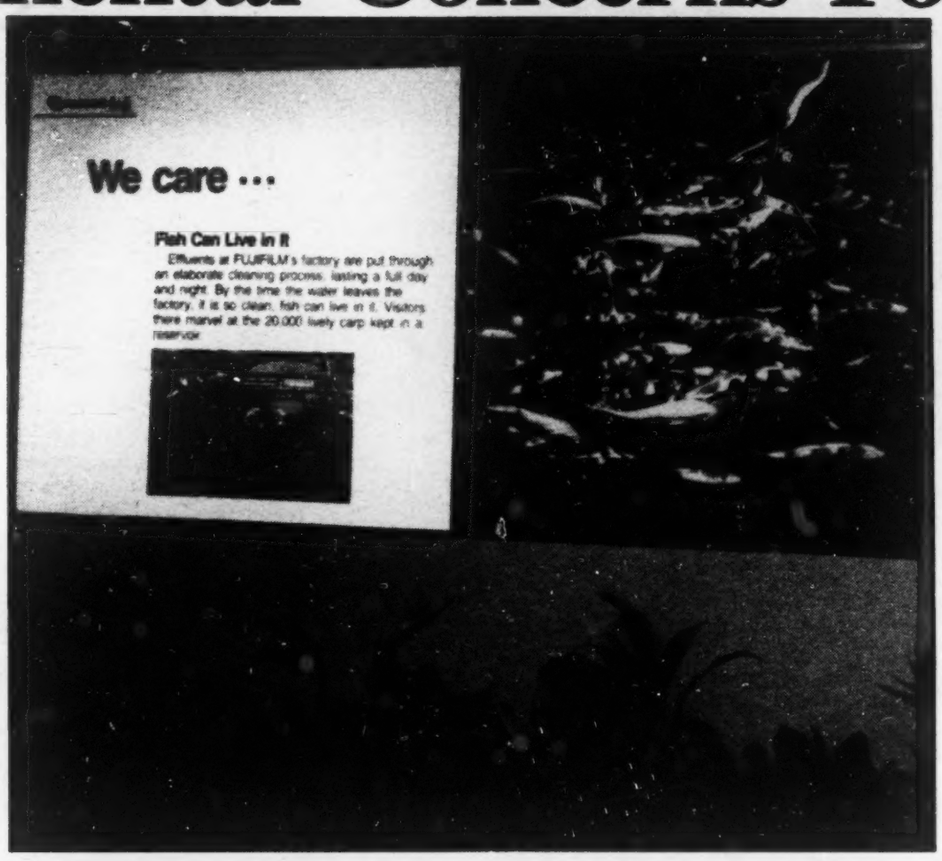
We care ...
Fish Can Live in It
Effluents at FUJIFILM's factory are put through an elaborate cleaning process, lasting a full day and night. By the time the water leaves the factory, it is so clean, fish can live in it. Visitors there marvel at the 20,000 lively carp kept in a reservoir.

***Photo market leaders** like Fuji, above, and Kodak stressed their corporate environmental support activities.*

At the show, Fuji also showed off its new paper film cannisters that are used on all 100, 200 and 400 speed Fuji film. Fred Meyer, the Portland, Ore., mass retailer, plans to expand its Fuji film assortment because of the environmental aspects of the new film containers. In addition, the new packaging is under consideration by Wal-Mart to be included in its special signage program that spotlights environmental improvements vendors make in their products.

3M To Go Soivent Free

Back on the manufacturing side, 3M, maker of Scotch brand and private label film for a whole host of mass merchandisers, recently made a commitment to be totally solvent-free in five years, a significant commitment for an adhesive and film company.

3M's John Gregorek also noted that the company has changed the high-gloss coating on its film boxes to a water-based coating that allows the package to be recycled more easily. And, he added, 3M is looking at advanced film packing systems that will eliminate either the box or the cannister from the package.

Photo industry leader Kodak also takes a high profile on the environmental front. Each week, the company receives one million of its single-use cameras back from photofinishers. To encourage the returns for recycling, Kodak pays the finisher 5 cents per body and picks up the shipping costs.

Kodak has also formed an internal committee to identify and address environmental problems. "We've announced a support group for photofinishing organizations," said Kodak's Steve Baune. "We're providing counsel to our customers, attending municipal meetings with finishers as an environmental consultant."

Baune also noted that Kodak is pumping significantly more dollars into its consumer advertising and promotion budgets in 1991. The Rochester, N.Y.-based firm also was showing improved film, paper and packaging at PMA.

Included among the many new products that were shown at the show were:

- Fuji's new 8mm camcorder, featuring a built-in lens cap and improved electronic viewfinder, as well as its new ecological minilab and ultra compact camera, the Mini-Dual.
- Pentax' new roof prism, center-focusing binoculars.
- Concord's new disposable 35mm camera and its two new pocket-sized compact 35mm cameras, the Take 1 and the Cool One.
- Gretag and Qualex announced a joint agreement to target the mass market for greater minilab penetration with a new Gretag processor.
- 3M also came out with new, improved film formulations on its 100 and 200 speed Scotch and store brand lines. The company also spun off a new line of photo management products, albums, postcards, greeting cards and frames, based on its Post-it adhesive technology. A new high-density display allows retailers, such as Venture and Target, to turn a whole 4-foot section of $1,200 worth of merchandise in less than four weeks.
- Keystone, despite filing for Chapter 11 protection on Jan. 23, was showing five new affordable cameras. The company reported that its suppliers were supporting the company with reasonable credit terms.

Wal-Mart Testing Supermarket Pioneered VideOcarts

(Continued from page 3)
plays sale goods or regularly priced items that Wal-Mart wants to highlight. As shoppers wheel a cart through the store, up to four items per aisle can be featured.

The screen presentation shows the department header and information on the products like brands, brief descriptions, sizes and everyday and sale prices for promotional goods.

Long-range, Wal-Mart is interested in tieing in the VideOcart advertising displays with its weekly tab, ROP and nationwide promotional programs.

- Checkout line feature, which shows world and national news, movie reviews, entertainment news and trivia questions and answers.

Wal-Mart's test is designed to answer a number of questions about the viability of the technology:

- What are the best products to feature?
- Will the carts boost sales of featured merchandise?
- Will consumer use of the carts fall off over time?
- How can the units produce revenue for the discounter?

The retailer also wants to be able to originate and update the VideOcart's information from its Bentonville computer center through its satellite network, just as it now makes daily real-time changes in its point-of-sale system. Currently, VideOcarts are updated from the vendor's Chicago headquarters using telephone lines.

Once Wal-Mart can update the terminals from Bentonville, it could make instant changes in prices and featured items and highlight different items in each store as part of its target marketing effort.

VideOcart plans to conduct shopper interviews at the Rogers store to gauge cart usage and obtain customer input on how to improve the units.

The company is working with Wal-Mart on determining what general merchandise items to feature, on developing ad programs with non-food manufacturers and on devising a revenue sharing program. The retailer selected all the items shown on the initial VideOcart presentation.

VideOcart provides its terminals free to retailers. Its income comes from the revenues sharing programs it has with supermarkets for the 10-second ads that appear as a shopper passes a promoted item in an aisle. Additionally, a retailer gets to use a part of the terminal's memory for its own merchandising programs.

A similar arrangement, including the amount of memory for the retailer's exclusive use, is expected to be worked out with Wal-Mart, Dupre said.

The VideOcart technology works as follows:

The terminals contain about one megabyte of memory and all the information is maintained in the terminal. The units aren't tied into the store's computer system.

Basic information like the listing of items and the store map is retained on an ongoing basis. Information that changes, like featured items and the checkout line programs, are updated each day.

As a cart is pushed down an aisle, ceiling-mounted infrared sensors trigger the terminal to show specific information. There are about 500 sensors in the Rogers store, compared to the 135 in a typical supermarket setup.

Each sensor's infrared beam is a cone that covers about 6½ feet of aisle space. As a cart enters a cone, it is directed to display specific information like the four featured items or an ad for merchandise in that area.

The cart displays this information until it enters another cone where the overhead sensor triggers another presentation.

Wal-Mart Passes Kmart as Top Chain

(Continued from page 2)
jumped 134.3% to $756.2 million from $322.7 million. However, in 1990 Kmart had a $640.1 million restructuring charge that reduced its earnings.

In the fourth quarter, the retailer's sales were flat at $9.74 billion, while it had $402.3 million in earnings against a $20.5 million loss in the previous year.

Kmart's gross margin fell to 25.5% from 26.4%, primarily due to the full-year inclusion of the lower margin Pace Membership Warehouse operation and the year-long impact of the discounter's expanded competitive pricing program.

The selling, general and administrative ratio dropped to 21.9% from 22.5% as a result of the inclusion of Pace, which has substantially lower operating expenses than such other company businesses as Builders Square, Waldenbooks, Pay Less Northwest and The Sports Authority, according to the retailer.

ALCO Files Reorganization Plan; Firm Enlists Secret Investors

(Continued from page 1)
would he comment on chainwide sales or profits. Several manufacturers that supply the chain said they will continue to make shipments to the chain, as usual. Duckwall-ALCO filed Chapter 11 in May of 1989 and subsequently closed 52 stores that were found to be responsible for bottom line losses totalling over $10 million dollars.

Competition from other retailers, especially Wal-Mart had been cited as a contributing factor to these losses. Bogan said that no additional store closings are part of the present reorganization plan.

Since the time of the filing, the retailer has continued to operate 81 ALCO stores and 19 Duckwall variety stores in a 12-state, central U.S. region.

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